

## **USDA 2012 Agricultural Outlook Forum**

### **Dinner Speaker: Jim Miller**

**February 23, 2012**

INTRO (by Joe Glauber): It's my great pleasure to introduce tonight's speaker, Jim Miller, who I think many of you know. I met Jim a long time ago when he was with the National Wheat Growers. And Jim has had just a spectacular career with National Farmers Union. He went up to work on the Hill, was an instrumental player in the 2008 Farm Bill as many of you know, and then came to the Department of Agriculture in 2009 where we were fortunate enough to have Jim as an Under Secretary. About a year or so Senator Conrad called Jim and said, "Enough is enough, get back here, we've got a Farm Bill to do." And that's where Jim has been. I'm going to make this very brief—all I'd say is, Jim is one smart and insightful guy, as most of you know. He is a great negotiator, and I've seen that first-hand. And more importantly, he's a great guy. So without any further ado, please welcome Jim Miller.

**[Applause]**

JIM MILLER: Joe, thank you very much. It's great to be with all of you this evening—distinguished guests, ladies and gentlemen, and particularly a shout out to all the SA Competition winners. It's wonderful to have you here tonight, and I'm looking forward to your questions. Joe told me that I had to be prepared for this I've been thinking about ways to not answer them.

**[Laughter]**

Now, are there any press in the room? Okay. Well, then I can use this speech.

**[Laughter]**

Well, just let me start with a couple of comments. As you all know, this year we're going to be celebrating 150<sup>th</sup> birthday of the People's Department that was created by President Lincoln. And having had the opportunity to work in the private sector, to work in the public sector, actually to have a wonderful experience working at USDA and then going back up on to the Hill, I think it's probably clear to most people in this room: there is probably no government agency within the U.S., probably no government agency globally, that has ever done so much for so many with such little fanfare. I think we should all in American agriculture be extremely proud of the Department of Agriculture. And I'm very confident that if President Lincoln is looking down on the Department of Agriculture today he would be extremely proud of the agency that he created.

So happy birthday, President Lincoln. Happy birthday, USDA. It's been a great opportunity for a lot of people to be associated with you.

Well, as Joe said, I'm one of those people that just can't hold a job in Washington. I've been kind of around the block three or four times, usually end up at the same place, as is

the case now back up with the Senate Budget Committee working for Senator Conrad. I'm going to plagiarize a lot of his comments tonight, but I'm not speaking for him. And you should all recognize, I'm a congressional staffer.

Congressional staffers are kind of one step below children. We are supposed to neither be seen nor heard. I was fortunate tonight and I got to sit at the big people's table. That doesn't even happen at home.

**[Laughter]**

But if there do happen to be some press, just let me make one additional disclaimer. If by accident I happen to say anything new or profound, I want you to note that I've misspoken.

**[Laughter]**

Well, Joe asked me to speak tonight about the prospects for farm policy. Last year was a Farm Bill year; this year is a Farm Bill year. Who knows? Next year might be a Farm Bill year. This could go on for a long, long time. But I am going to talk a little bit about the prospects for farm legislation in the Congress. And as important as the Farm Bill is—and in my career it's extremely important; otherwise I wouldn't have a job—but I think we have to recognize the farm policy is much bigger than any given Farm Bill.

And again, as important as farm legislation is, as many things as a farm bill does, there are a number of other things that happen within our federal process that sometimes go unnoticed, but in many cases can be equally as important. Certainly a big issue at the forefront of agriculture today is regulation. And those things appear to happen kind of willy-nilly, both at the Department of Agriculture, at EPA—we were just talking about the Department of Labor. I can assure you, and it has nothing to do with any administration—they're not necessarily that willy-nilly, but we need to all work on making sure that those decisions are informed decisions.

But we also have to deal with a lot of other issues—things like annual appropriations which hopefully happen annually. Sometimes they don't. But that's a very difficult issue to manage in our form of government when you have agencies like USDA operating on a day-to-day basis not knowing what their budget is, not being able to plan for the future. So that's critical.

We have some other extremely important issues, particularly as we are gradually working our way out of this economic downturn—things like the Nutrition Programs. And a couple of years ago we reauthorized the Child Nutrition Bill. It's not part of the Farm Bill; it is something that's completely separate but something that's very important and is administered by the Department of Agriculture.

We've got a number of people here that are involved in the crop insurance industry; we've got another number of people here that are customers of the crop insurance

industry. That's a piece of legislation that, while we'll probably modify it—sorry, Linda, we probably will modify it—in the Farm Bill, it really is its own piece of legislation. It's ongoing. It isn't going to end if we don't pass a Farm Bill. There's still going to be crop insurance available to farmers. So there are a lot of things going on besides what I hope might be a 2012 Farm Bill.

But let me focus a bit on that, talk about some of the process and challenges I see evolving over the next several months. But first of all, recognize I've been involved in one capacity or another from grassroots lobbyists to one involved in trying to draft legislation to trying to implement the legislation that I drafted—which is really a problem, believe me—back to drafting legislation. Every Farm Bill is exceedingly difficult. And this one is not going to be without its challenges.

But I remember the 2002 Farm Bill. We actually put more money into the pot, about \$73.5 billion, and that was one of the most difficult farm bills that Congress ever dealt with in terms of trying to pass it. And that's with an expanding budget, and now obviously we are looking at things where there is going to be extraordinary budget pressure put on those that are trying to draft this legislation.

When we look at farm bills, there are always a certain number of conflicting objectives. And it's difficult in a political process to try to reconcile those objectives. We have obviously a lot of political discord, and that only gets heightened when you're in one of those strange years that's divisible by 4, and that happens to be a presidential election year. So that creates I think some additional challenges.

Farm bills have very significant regional implications, and those have to be overcome through this process.

Then of course we have to deal with the budget: working on the Budget Committee, having worked on a variety of budget issues for Agriculture, both in a political atmosphere in Capitol Hill, working for the Senate Budget Committee, and also at the Department of Agriculture where we're trying to figure out, okay, once we finally have a budget to deal with, how we implement these programs, how we stay within budget, how we deal with that big unknown in the federal government. The “big unknown” is called the Office of Management and Budget, who are never elected by anyone and who most people never see, but have a lot to say about how our lives work. It's difficult.

And I think this is going to be probably in some ways, maybe has already been, the most difficult Farm Bill process we've ever seen. And I don't think it's going to get any easier in the days, weeks and months ahead of us.

But I am an optimist, and I have some reasons to be optimistic that we can accomplish this, that we can do it in a way that comes up with a responsible policy for our farmers and ranchers that need a lot of the elements that would be reauthorized in a new Farm Bill, that is responsible for those in our country that are less fortunate than many in this room, that need some help with nutrition; and for those rural communities that need help

with developing an infrastructure, creating jobs, doing all those things that are important to rural America.

And I have a couple of reasons to be optimistic about this. First of all, with all the bantering that goes back and forth, particularly in an election year but let's face it our political system in this country is hurting right now. We have people that are one side of an issue and they are really on one side of an issue. We have another group of people that are on the complete opposite side of the issue. And we have a great deal of difficulty in trying to figure out, where is that middle ground? Where can you achieve a compromise that no one gets everything they want but we get something done? That's tough.

But Agriculture I think in even this political environment has the one advantage of still having a semblance of bipartisanship. I think it's entirely possible, certainly in the Senate and I also believe in the House, to create a legislative product that can gain bipartisan support, and I'd hope relatively broad bipartisan support. Quite frankly, when you look at the legislation that has come before the Congress over the last several years, it's very difficult to find any bill that could achieve that level of compromise and support from the two political parties—but, more importantly, from the members of those parties. So that's a reason for optimism. We can in Agriculture find ways to work together to create policies that we think are going to be good for rural America, good for production agriculture, good for all the other stakeholders and constituents that we have to serve.

Secondly, and this is a reason for optimism that seems a little perverse, and that is the alternatives are worse than writing a farm bill now. When I say those alternatives are worse, we have a thing called “permanent law,” and I'm not going to go into how all that works, but if we fail to write a farm bill, in theory, we go back to “permanent law,” Depression Era agricultural politics. I don't remember the Depression, contrary to what many of you may think ~~about~~, but that's just untenable. It is not going to happen.

But that is a point of leverage to cause people who otherwise might decide to disagree, to find a reason to agree.

Thirdly, there are always those who say, “Well, let's just kick the can down the road, let's just wait a little while longer because things are going to be better. Let's take a pass on writing a farm bill now; let's look at doing it, you know, next year or two years down the road, three years down the road, because things are going to be better.”

Well, if we're going to do that, that means we probably need to extend the current Farm Bill because permanent law is untenable. Well, if we extend permanent law, attempt to extend permanent law, that's likely to come at a very big cost, and that cost could be policy. Certainly there are a number of provisions in the current Farm Bill, whether you're talking about the commodity programs, the conservation programs, the nutrition programs or the crop insurance programs, there are members of Congress that would like to have us do something substantially different than what we're doing today and what we might really want to do in the future.

So we have a big risk of, if you try to extend the bill, try to extend current law, that means you're going to offer a bill on the floor of the Senate, a bill on the floor of the House that is likely to be open for an amendment. And that amendment process could cause some very significant policy changes that would be hard to undo in the future.

The other big risk of trying to just extend the Farm Bill is the budget pressure. There are probably two or three people, maybe 200 or 300 people, maybe 300 or 400 people on Capitol Hill that view agriculture as the so-called "cash cow," and they would like nothing better than to say: "Oh, we'll be more than happy to extend the current Farm Bill. By the way, we'll extend it, but we want to take \$20 or \$30 or \$40 or \$100 billion out of the baseline, out of the budget for that Farm Bill, over the next 10 years, and then you can go ahead and extend it," -- with very little consideration about what that kind of cut would do to the ability to even operate the programs that we have today. So I think extension has a great risk.

For those that want to wait, they think the budget is going to get better, there are a lot of people that talk about the baseline. I'm not going to tell you what a baseline is but it's really just a relative measure. They talk, "Well, the baseline will get better." Quite likely the baseline isn't going to get better; it certainly doesn't get better if we try to extend it and take a big whack in the budget then. But even if it does get better, it isn't going to change the dynamics of writing the Farm Bill all that much because it is only a measure against we try to develop an idea of what new policies mean compared to the old policies.

So the baseline isn't going to change; and how many in this room, given the fact that we're finally experiencing some economic growth, it looks like we're digging our way out of the biggest recession since the Depression of the '30s—but how many think between now and a year from now for those that would want to wait until 2013, that the deficit situation, the debt situation, the general economic situation in the United States is going to change so dramatically that we will look at agriculture and its potential contribution to deficit reduction in a different way than we do today? Every projection suggests we will still be having big deficits down the road. We want to erase those deficits gradually; we don't want to destroy our opportunities for economic growth, for job creation, all those other important things this economy really needs, including the economic growth that agriculture is stimulating today. But I think it's very unlikely we're going to see such dramatic improvement in the budget situation that it's going to be really easy to write a Farm Bill a year from now.

Finally, it's an election year. And I don't know how the elections are going to turn out in terms of Congress or in terms of the White House. But there is always the potential that the post-election politics could even be more divisive than it is today. So we've got I think some real challenges; but I think we've got some strong reasons that we need to find a way to come together and let's do the Farm Bill now. Let's find a way to bridge the divides that may exist. Let's find the compromises that can be responsibly implemented by a Congress, and let's get it done.

So if we're going to do it, what's the process going to look like? This could be a very short speech because I could have gotten up and said, I don't have the faintest idea what this process is going to look like, because it is going to be difficult. But I think we're seeing some things begin to evolve.

One, and this is a real break with history in terms of writing major agricultural policy and I fully expect the Senate will go first. And that's a huge change. We used to always just sit back, wait for the House to pass their screwy piece of legislation, and then we fixed it in the Senate.

**[Laughter]**

You can tell I have a bit of a bias.

**[Laughter]**

Well, I expect the Senate's going to have to take the lead, and I think what we will do again is try to provide a framework that hopefully begins to create an incentive for the House to act. And why do I say that? In the last election, half of the House Agriculture Committee changed. You have members there that have no legislative experience, many of them came in with a bias toward "all we're going to do is cut the federal budget," without any concept of all the policies that comprise the make-up of that federal budget. There's been a big learning curve, and it's occurring, and thanks to many people in this room and many of our colleagues all around the country helping people in Congress understand the importance of agriculture, of rural America, of farm policy—it's helping. But in the Senate we had a few modest changes in the Agriculture Committee, but for the most part you have a tremendous amount of experience there. In fact about half the Senate Agriculture Committee is comprised of former chairmen of that committee. Another group of senators are chairmen of other committees, or ranking members, and that switches back and forth. So you've got people with a lot of experience in the legislative process and in writing farm legislation.

So I think it's only natural that, given the fact that we still have the ability to work in a bipartisan manner, that you have a level of experience there that maybe the Senate should go first. Hopefully we will find that kind of bipartisan agreement sometime soon after the Senate concludes an ongoing round of Farm Bill hearings.

I think we'll also in terms of this process, be building on some of the work that's already done. It's not like the members of the committee or their staff have just been sitting around doing nothing. There has been a lot of work done on a Farm Bill. Many of you may remember the Budget Control Act that was passed last August that created the Joint Select Committee and the efforts the agriculture community, the only committee in Congress that made specific deficit reduction proposals to the Joint Select Committee under the Budget Control Act and had developed a specific proposal to achieve deficit reduction efforts and create new farm legislation—that was a lot of work. Unfortunately it was a rather secretive process. I'd love to share with you all the details that were

included in that Farm Bill. In fact I'd be more than happy to share them, except I don't know what they are, because they're secret. But I can tell you just from the information that has been shared, there is a lot of very good work that has been done. But there's more to do yet. And I think in terms of looking at all the titles in a farm bill, it's really the commodity title that is probably the area where there is still the most controversy. And those are issues that will have to be resolved if we're going to be successful. But I think we have to move expeditiously, and that process is underway in the Senate. I'm confident my colleagues in the House are engaged in similar discussions in how to reconcile those differences and get something done. But it's an uphill battle, won't be easy, and we will have limited floor time. I should have checked today; I don't know how many days the Senate will be in session the rest of the year, but it won't be very many. I think it was 80 days when we went back to when we first came into session at the latter part of January and we burned up several of those days already. So there's not a significant amount of time available, which begs the question—we have to have a bipartisan agreement with broad-based support among those who will advocate for rural America and agriculture policy if we are going to convince the leadership, Harry Reid and Mitch McConnell in the Senate; if we will convince John Boehner and Nancy Pelosi in the House they should spend the limited amount of time available to consider new farm legislation. That's going to be a challenge.

So looking at the policy issues we face, they are tough. My boss has laid out his view of the principles that ought to govern farm policy, not that we'll ever achieve them perfectly. We won't. This is a political document, an economic document, and a document we're trying to project what's going to happen in the future when we have absolutely no idea. Joe is the only one in the audience that knows exactly what's going to happen in the commodity markets in the future.

But I think there are some things that are very clear when you look at the comments, particularly those that occur in the coastal media about agriculture policy and the willingness of some to just throw all this great work overboard. At the end of the day, whatever the policy is, we'll have to be able to defend it. As one that works in a political environment for a member of Congress, we have to defend it to our stakeholders, and that's a problem for a politician but it's an opportunity for a politician. But we also have to defend it to the taxpayers, to the general public who are ultimately going to pay the bill, and at some level we're going to have to defend it internationally because we are in an international marketplace and community.

Part of that defensibility argument is the cost. How do we control the cost of a farm bill? We have a federal government that's borrowing 40 cents of every dollar it spends. We have a situation where federal outlays, as a percentage of GDP, are at the highest level they've been in over 60 years. The highest level in over 60 years. So expenditures are really high. Revenue is at the lowest level as a percent of GDP that it's been in over 60 years. I'm not much of an economist, but it looks like to me if you graph this out on a chart you have expenses going up, you have revenues going down, and you have a gap. And that gap is called the "deficit" and "annual deficits are added together year after year after year to create a debt. And we now have a federal debt that's equal to 100 percent of

the GDP of the United States. And I don't think you have to search very far to find an economist on the right, the left, or in the middle, that wouldn't suggest that when debt equals 100 percent of your GDP, you're in trouble. You are at the situation where you're going to be impeding your own ability to have economic growth, to create jobs, to improve the quality of life for the citizens of your country. This is just not a tenable situation; we are going to have to change it.

And agriculture is going to be one of those areas where cuts are going to occur. I'm not an advocate for cutting agriculture. Quite frankly, I'd argue that agriculture didn't create the problem, and in a perfect world we shouldn't have to contribute to the solution. But we don't live in a perfect world. But agriculture as a percent of so-called "mandatory spending," is about 3 percent. That includes the Nutrition Programs. And when you start adding those Nutrition Programs together, you find out the Nutrition spending at USDA on the mandatory accounts represents about 75 percent of USDA's total spending. So what does that mean for the other programs?

Well, the so-called Commodity Programs, the things that support farmers on the land, these subsidies everyone in the world seems to be challenging because they think we're just paying farmers way too much—represents less than a quarter of 1 percent of all federal mandatory spending.

"Well, there's got to be something else there," and there is. I mean, let's face it. Farmers aren't getting by with just a quarter of 1 percent. We've got this wonderful crop insurance program, and it's got a big target on its back as well. All you have to ask is, Linda Vickers or Keith Collins or any of the other folks in this audience, "Yeah, crop insurance, it's what's really breaking the federal budget, it's 3/10ths of 1 percent of all mandatory spending." So if you add it all together, we're operating the world's greatest food supply vehicle at less than 1/2 of 1 percent of all federal expenditures. It's just not that big a deal, but we are going to contribute. The question is, how much? And how do we do it in an equitable fashion?

There are some ideas out there. Kent Conrad, my boss, was a member of the President's Fiscal Commission. In fact, he and his colleague at that time, Judd Gregg the ranking member of the Senate Budget Committee, basically created the legislative vehicle that forced the President to create the Fiscal Commission. Their recommendation was that agriculture ought to contribute about \$12 billion to deficit and debt reduction over the next 10 years. There are a lot of people that screamed when they came out with that number.

Then all at once they started hearing some of the other numbers—the House passed budget from last year called for \$176 billion in cuts, about 150 times what Fiscal Commission proposed. The President recently in his budget called for \$32 billion in cuts across a broad range of programs, excluding the Nutrition programs. The Ag Committee as part of the JSC process, as part of this budget proposal, they agreed on a bipartisan basis \$23 billion in cuts and \$4 billion of that was going to come out of Nutrition and the



other \$19 billion would come out of the Commodity Programs and Conservation Programs.

Quite frankly as we start looking at writing a Farm Bill, that's the number I'm shooting at, at least to begin with. But it could get worse, and it could get far worse. We all have a vested interest in knowing what the number is and then figuring out how we can write policy according to those numbers.

But that isn't the only problem. The 2008 Farm Bill—and Joe, I'm not going to take full credit for writing that because some of these problems were not ones of my creation—but we created I believe 37 programs in that Farm Bill that have no budget going forward into the future. We wanted these programs, we paid for these programs over a period of time, and at the end of the Farm Bill the authorization and the money expire. And while some of these programs, one of the major programs has already expired last fall, and we've got others that are very important, Conservation Programs, programs for specialty crops, for bio-based agricultural economy, biofuels, all of which expire. They have no money. We could reauthorize the program, but we're going to have to figure out a way to pay for it, and that's going to be another challenge in addition to what we contribute to deficit reduction.

So what are a couple other challenges we face? I'll be happy to take some questions. Duplication. We want an efficient government, programs to be efficient and deliver benefits to those people that truly need and deserve them. But we don't want to deliver the same benefit to an individual for the same loss of unit of production or market loss through multiple programs so he just keeps accumulating federal benefits. Yet the programs that exist today to a certain extent do provide a duplication of benefits. I think there's a general consensus that's well-established among Democrats and Republicans, Conservatives and Liberals in agriculture that crop insurance is the basis of the economic safety net for farmers and ranchers. And the program is actually working quite well aside from a few detractors.

But if we are going to have a crop insurance program, we have to recognize what it does and doesn't do. And if we want to fill in some of the gaps that's fine. But we should not be paying a person crop insurance benefits for a crop loss or price loss or whatever and then turn around and pay a farmer through another program for the exact same loss. We've got to find a way to control duplication of benefits if we are going to be able to defend these programs. We can't justify payments from a whole variety of programs for the same loss on the same unit of production.

Finally, complexity. Complexity is a tough issue because we've got to figure out ways we can implement these programs in a timely fashion and I should mention there are I know a number of folks that have been in town this week for meetings with the Farm Service Agency, the state executive directors and there are several in the audience tonight—the boots on the ground along with their colleagues also in town that are executive directors for the Rural Development Agency, and are the ones that deal with farmers day in and day out and have the staff to man these offices in counties and have to

answer all the questions that none of us in Washington can ever answer, “How does this program work for me?”

We created some very complex programs in the 2008 Farm Bill; they didn’t look that complex when I was writing them out on a piece of paper. Heck, I could make payments under the SURE program and an Excel spreadsheet took about 2 minutes. It took USDA a year and a half to figure out even how the formula worked, and they are smart people. ACRE was no better and in fact in some ways it was probably worse because the database just wasn’t available, the technology wasn’t available. We’ve got to figure out a way that in all our great wisdom and resources we have at USDA, how do you write a Farm Bill that we can actually implement that does the job that we all want it to do? That’s tough.

How do we get the payments out? Increasingly how are we going to keep those boots on the ground at the county level, the state level, when agency budgets are being attacked every day? We’re going to have a very significant resource shortage in agriculture very soon because the budgets, but probably more critical than the budgets—I think we can manage around those given some time—one only has to spend a few minutes down at USDA—heck, Jerry, one only has to come over to this table and realize, we’ve got a lot of folks at the Department that are going to be retiring. And who are going to be the people that will fill that gigantic void left to administer these programs that will undoubtedly still remain complex? How do we enhance the producers’ ability to understand how these programs affect them? Agriculture is a complex industry, and the programs are going to remain complex. But can we eliminate at least some of the issues that cause a lot of consternation among our stakeholders?

Finally, and this is a point I probably shouldn’t make, but finally we have to deal with the issues of distortion. And given the discussions that have gone on thus far, I’ve heard a lot of people in commodity organizations, a lot of folks on the Hill, even a few at USDA talking about, Well, these policies shouldn’t distort production, prices, the agricultural economy.

Well, let me leave you with one final thought. The whole reason that President Lincoln created the Department of Agriculture, the only reason we had the Homestead Act, ARS, NEFA, FSA, was to distort agriculture. Think about it. Why would you want a research effort to increase productivity if you weren’t trying to increase productivity, which is distortion in agriculture? So to suggest distortion is inherently bad I think is false. We need to increase productivity, to spend more money, more resources in agriculture research.

So when we start talking about distortion, we better figure out whose distortion we’re talking about, and then we’ve got to figure out, okay, how do we balance this distortion? It’s not a question of whether we want to distort agriculture; if we’re going to feed the world, we better be doing everything we can to enhance productivity, to ensure there are famers and ranchers not only in America but around the world that want to stay on the land, to produce those crops, the meat protein to feed that world. That means we’re

going to be involved in distorting what would otherwise be the case. Again, the alternative isn't very pleasant.

We have a big challenge, but I think, and I have faith, that the agriculture community, broadly speaking, working together can figure out ways as we always have to meet that challenge that we can improve farm policy, make a farm policy that can work across the whole of this country in a way that we can all be proud of what we've done while at the same time we can continue to contribute to the economic growth and opportunity that exist in this country. Ladies and gentlemen, it's been wonderful being with you tonight. Thank you very much for your attention, and Joe, I'm happy to answer some questions.

**[Applause]**

Michael Scuse is gathering the tomatoes already. Under Secretary Michael Scuse. I have to say, Michael and I worked together during the time I was at USDA. He's actually not too bad a guy. Kent Conrad had the opportunity to talk to Michael as he was seeking to take over the position of under secretary, going through the nomination process, and after I moved back up to Conrad's office and he had a chance to talk to Michael he made the comment to me that when I moved back up to the Senate I reduce the intelligence of both USDA and the Conrad office.

Anyway, any questions? Yes, sir.

QUESTION: How much revenue does agriculture bring in compared to what we spend as part of USDA? Do you know that?

MR. MILLER: The value of agriculture production, and it's extremely variable and Joe you'd be better off answering this because it's gone up dramatically in the last few years—but it's hundreds of billions of dollars a year. Hundreds of billions -- \$350, \$400 billion recently. That's a lot of money. The amount USDA expends in a year including the Nutrition programs is just over \$100 billion. The Nutrition programs, if you include the discretionary Nutrition programs, are at about \$100 billion. We're spending very little in terms of the non-nutrition element of USDA. It's a very small percent of the value of production, and if you look at the commercial value, value of meals, of food, it's almost insignificant.

Anyone else? I think all these students ate their dessert, and it's sugar low, high, whatever. You've all had a long day. Yes, ma'am?

QUESTION: What would it amount to if you took away the direct payments?

MR. MILLER: The direct payment program has outlays of just under \$5 billion a year. Since we work on a 10-year budget window, it's roughly \$50 billion over 10 years. Let me give you a little technical correction because the payments are delayed a year we're really only working on 9 years, so it's \$45 billion. Yes, sir.

QUESTION: Do you see any possibilities for new funding to help bio-based, new innovations in agriculture?

MR. MILLER: Do we expect to see any funding for a bio-based economy, new innovation in agriculture? If agriculture fails in this Farm Bill or future endeavors to not find a way to increase our investments in the so-called bio-based economy—I call it “bio-based” but it’s far more than bio-fuels. There are innumerable products we can produce on our farms and ranches that can replace or reduce our dependence on a petroleum-based economy. If we fail to invest in that innovation we will have missed what I think is the greatest opportunity that we have in agriculture today. We have to find ways to do it. I’m confident, knowing Secretary Vilsack, it’s something he’s certainly focused on. I also know and you’ve probably heard from some of the other former secretaries that spoke today, this is not a partisan issue. This is an issue where we have a tremendous opportunity. We just have to figure out exactly how to capitalize on it. It’s a very good question.

QUESTION: The authorization for the SURE program?

MR. MILLER: The authorization for the SURE program expired September 30, 2011. This is Washington, DC. Nothing ever dies in Washington, DC. (laughs) The SURE program specifically may very well be dead. But I think there is enough interest in finding some sort of additional revenue program to hopefully ensure that we’re not back to the old days of ad hoc disaster programs, that we will find a way to create in the new Farm Bill a program that combines many of the elements of SURE with some of the other revenue program elements that were contained in the 2008 Act.

I think the real challenge for agriculture, particularly when one looks at the current weather forecasts for 2012, the prospect of continued drought in the southern plains and now the potential that you could have an expanded drought moving up into the corn belt and the northern plains is, what happens in 2012 if we go through another year like we did in 2011? And right now I think that’s a big unknown. For many producers who are running the risk of having their crop production significantly reduced by Mother Nature, and most of those producers having pretty good levels of crop insurance; but my guess is most farms still aren’t making a 25 percent profit margin—what happens? And hopefully we’ll figure out a way to resolve that problem before it becomes terribly serious. But I don’t think we’ll see SURE in its current form reauthorized.

Yes, ma’am.

QUESTION: Do you think that our legislative and policy-making process is nimble and agile enough to deal with countries like China and Brazil and other BRIC countries?

MR. MILLER: Quick answer, yes. When America wants to do something, we are very capable of doing it. We are very capable of doing it quickly, well, and when we find out we’re not doing it well we’re very capable of adjusting. The question really goes back to the heart of it, how do you build the pressure, the impetus to get the job done? I’m very

confident that we can do that; and there's no sector of the American economy that I'm more confident in than American agriculture just because of the ingenuity. Let's face it, there isn't a farmer in the country that isn't smarter than every politician and government bureaucrat.

**[Applause]**

Is that the right answer, Michael? (laughs) One more..

QUESTION: What chance for dairy reform , the dairy crisis?

MR. MILLER: I'm lactose intolerant.

**[Laughter]**

Let me just say—look, there is a lot of concern about the dairy industry. Joe Glauber and I were talking about, every secretary that comes into office, they get down there and have a crisis usually within about the first month they're there. Secretary Vilsack actually had more than one crisis, but one was the dairy crisis.

That's not a partisan issue, and the interesting thing about this dairy crisis, it wasn't really a regional issue. It used to be that the big dairy guys always thought they could survive and it would just be the small dairy guys that would go under. This dairy crisis started in California with the biggest dairies. We've got a huge problem in trying to figure out, how do we ensure in what is becoming an increasingly volatile dairy market situation that we don't undermine the production industry and the dairy processing or manufacturing industry?

In other words, how do we create a viable safety net for our producers, and at the same time how do we take advantage of the opportunities that really have never existed for the U.S. dairy industry in the way they exist today? That's the export market that is now.

I can remember not too many years ago when we used to think we were never going to export any dairy products but just be a domestic industry. Might as well build a wall around the country. Now dairy exports are a significant part of the overall dairy economy. It's a tough issue, and I can't think of a farm program issue that's really more personal to people than dairy. I guess that goes back to the situation, it's easy to fall in love with calves and cows; it's really hard to develop a lasting relationship with a bushel of corn.

Thank you all. You've been a great audience.

**[Applause]**